

**HAMPTON-DUMONT
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2006 Election)

John Showalter	President	2008
Ryan Winters	Vice President	2006
Scott Sackville		2007
Ron Raney		2008
Verla Pecha		2006
Kristin Wraage		2007
Stacy Miller		2006

(After September, 2006 Election)

John Showalter	President	2008
Ryan Winters	Vice President	2009
Scott Sackville		2007
Ron Raney		2008
Verla Pecha		2009
Kristin Wraage		2007
Stacy Miller		2007

School Officials

Lee Morrison	Superintendent
Lisa Lewis	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

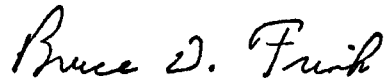
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 27, 2008 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

March 27, 2008

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton-Dumont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,508,936 in fiscal year 2006 to \$10,050,472 in fiscal year 2007, while General Fund expenditures increased from \$9,838,675 in fiscal year 2006 to \$10,156,387 in fiscal year 2007.
- The increase in General Fund revenues was primarily attributable to increased state sourced revenues. The increase in expenditures was primarily due to salary increases.
- The District completed construction of a new middle school.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hampton-Dumont Community School District acts solely as agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Hampton-Dumont Community School District Annual Financial Report

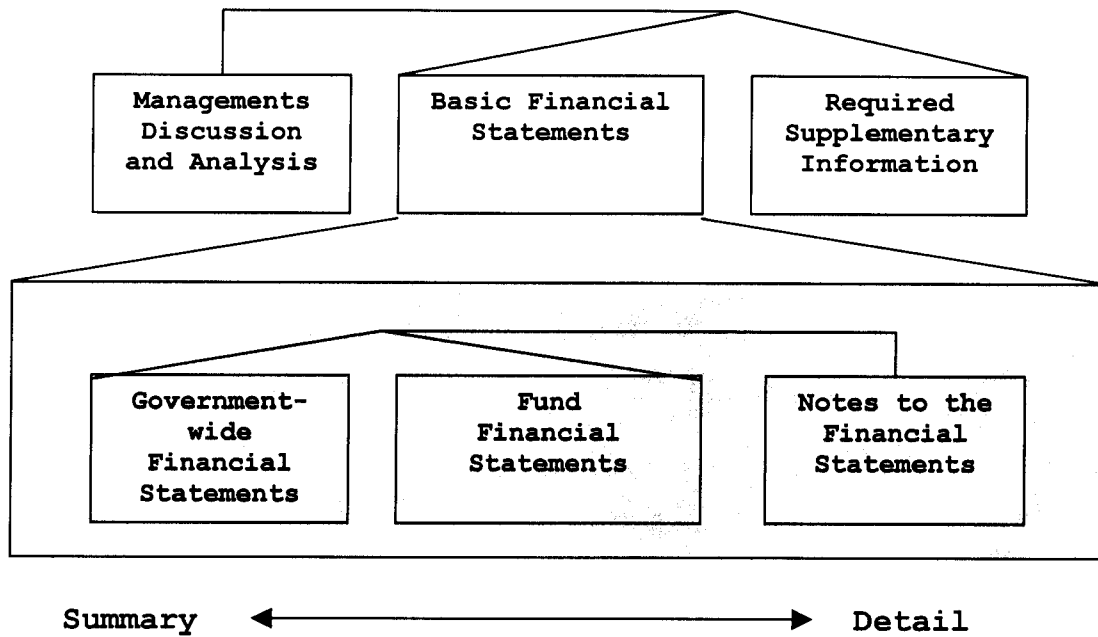


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- *Private-Purpose Trust Fund* - The District accounts for outside donations for scholarships for individual students in this fund.
- *Agency Funds* - These are funds through which the District administers and account for certain revenue collected for special purposes and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	9,895	12,459	161	140	10,056	12,599	-20.18%
Capital assets	12,505	10,448	43	30	12,548	10,478	19.76%
Total assets	<u>22,400</u>	<u>22,907</u>	<u>204</u>	<u>170</u>	<u>22,604</u>	<u>23,077</u>	<u>-2.05%</u>
Current liabilities	8,714	9,169	-	-	8,714	9,169	-4.96%
Non-current liabilities	9,240	9,894	-	-	9,240	9,894	-6.61%
Total liabilities	<u>17,954</u>	<u>19,063</u>	<u>-</u>	<u>-</u>	<u>17,954</u>	<u>19,063</u>	<u>-5.82%</u>
Net Assets							
Invested in capital assets, net of related debt	3,290	612	43	30	3,333	642	419.16%
Restricted	1,423	3,633	-	-	1,423	3,633	-60.83%
Unrestricted	(267)	(401)	161	140	(106)	(261)	-59.39%
Total net assets	<u>4,446</u>	<u>3,844</u>	<u>204</u>	<u>170</u>	<u>4,650</u>	<u>4,014</u>	<u>15.84%</u>

The District's combined net assets increased by over 15%, or approximately \$636,000 over the prior year. This was primarily due to an increase in the Capital Projects Fund and capital asset purchases.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$155,000. This increase in unrestricted net assets was a result of increased General Fund revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	280	287	226	195	506	482	4.98%
Operating grants, contributions and restricted interest	1,785	1,503	287	263	2,072	1,766	17.33%
Capital grants	-	200	-	-	-	200	-100.00%
General revenues:							
Property and income surtaxes	4,442	4,242	-	-	4,442	4,242	4.71%
Income surtax	79	80	-	-	79	80	-1.25%
Local option sales tax	694	569	-	-	694	569	21.97%
Unrestricted state grants	4,962	4,659	-	-	4,962	4,659	6.50%
Unrestricted investment earnings	134	26	-	-	134	26	415.38%
Other	67	(15)	-	-	67	(15)	546.67%
Total revenues	<u>12,443</u>	<u>11,551</u>	<u>513</u>	<u>458</u>	<u>12,956</u>	<u>12,009</u>	<u>7.89%</u>
Program expenses:							
Governmental activities:							
Instruction	6,845	7,159	-	-	6,845	7,159	-4.39%
Support Services	3,469	2,665	-	-	3,469	2,665	30.17%
Non-instructional programs	-	-	479	418	479	418	14.59%
Other expenses	<u>1,528</u>	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>1,528</u>	<u>1,085</u>	<u>40.83%</u>
Total expenses	<u>11,842</u>	<u>10,909</u>	<u>479</u>	<u>418</u>	<u>12,321</u>	<u>11,327</u>	<u>8.78%</u>
Change in net assets	<u>601</u>	<u>642</u>	<u>34</u>	<u>40</u>	<u>635</u>	<u>682</u>	<u>-6.89%</u>

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$12,494,172 and expenses were \$11,841,850.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services		Net Change	Net Cost of Services		Net Change
	2007	2006	2006-07	2007	2006	2006-07
	\$	\$		\$	\$	
Instruction	6,845	7,159	-4.39%	5,243	5,819	-9.90%
Support Services	3,469	2,665	30.17%	3,447	2,649	30.12%
Other expenses	<u>1,528</u>	<u>1,085</u>	<u>40.83%</u>	<u>1,087</u>	<u>452</u>	<u>140.49%</u>
Totals	<u>11,842</u>	<u>10,909</u>	<u>8.55%</u>	<u>9,777</u>	<u>8,920</u>	<u>9.61%</u>

- The cost financed by users of the District's programs was \$279,975.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$842,009.
- The net cost of governmental activities was financed with \$4,442,376 in property taxes and \$4,961,915 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$513,253 and expenses were \$479,159. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,445,430, a sixteen percent increase over last year's ending fund balances of \$3,843,938.

Governmental Fund Highlights

- The District's General Fund financial position decreased during the past year. Allowable growth of 4% is inadequate to afford regular salary increases as well as increased costs for other items.
- Franklin County instituted the 1% school infrastructure local option sales tax. The District started collecting these monies in March, 2004. These monies are being used for infrastructure projects and/or debt reduction.
- The District completed construction of a new middle school.

Proprietary Fund Highlights

The School Nutrition Fund balance increased approximately \$34,000 during the fiscal year ending June 30, 2007. This was a result of good participation and careful monitoring of expenses.

BUDGETARY HIGHLIGHTS

The District's receipts were \$487,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected miscellaneous revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested over \$12.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$445,109.

The original cost of the District's capital assets was \$15,950,376. Governmental funds account for \$15,875,373, with the remainder of \$75,003 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements progress category. The District spent over \$8,000,000 on improvements and additions to buildings and sites in the past two years, primarily the new middle school building.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Land	209	209	-	-	209	209	0.00%
Construction in progress	-	5,859	-	-	-	5,859	-100.00%
Buildings	11,994	3,942	-	-	11,994	3,942	204.26%
Furniture and equipment	302	438	43	30	345	468	-26.28%
Totals	<u>12,505</u>	<u>10,448</u>	<u>43</u>	<u>30</u>	<u>12,548</u>	<u>10,478</u>	<u>19.76%</u>

Long-term Debt

The District has \$7,490,000 of general obligation bonds outstanding at the end of the current fiscal year.

The District has outstanding revenue bonds of \$1,725,000 for additions/renovations to the elementary buildings. Capital loan notes were fully retired in fiscal year 2007.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2007	2006	2006-07
	\$	\$	
Capital loan notes	-	130	-100.00%
Contract payable	-	1	-100.00%
General obligation bonds	7,490	7,785	-3.79%
Revenue bonds	<u>1,725</u>	<u>1,920</u>	<u>-10.16%</u>
Total	<u>9,215</u>	<u>9,836</u>	<u>-6.31%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed in 2003 and money began to be received by the District in March of 2004. Part of these funds are being used for debt reduction resulting in property tax relief for the taxpayers.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Allowable growth of 4% is inadequate for the District to adequately maintain all of its educational programs, let alone expand offerings.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, PO Box 336, Hampton, Iowa 50441.

Basic Financial Statements

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,535,529	149,864	1,685,393
ISCAP investments	3,188,467	-	3,188,467
Receivables:			
Property tax:			
Current year	64,894	-	64,894
Succeeding year	4,598,865	-	4,598,865
Income surtax	69,506	-	69,506
Due from other governments	402,101	-	402,101
ISCAP accrued interest	34,964	-	34,964
Other receivables	315	-	315
Inventories	-	10,793	10,793
Capital assets, net of accumulated depreciation (note 3)	12,505,148	43,467	12,548,615
Total assets	22,399,789	204,124	22,603,913
Liabilities			
Accounts payable	146,576	-	146,576
Accrued salary and benefits	699,226	-	699,226
Accrued interest payable	29,277	-	29,277
ISCAP warrants payable	3,195,000	-	3,195,000
ISCAP accrued interest payable	45,325	-	45,325
Deferred revenue:			
Succeeding year property tax	4,598,865	-	4,598,865
Long term liabilities:			
Portion due within one year:			
Early retirement	25,090	-	25,090
Revenue bonds payable	200,000	-	200,000
General obligation bonds payable	310,000	-	310,000
Portion due after one year:			
Revenue bonds payable	1,525,000	-	1,525,000
General obligation bonds payable	7,180,000	-	7,180,000
Total liabilities	17,954,359	-	17,954,359
Net assets			
Invested in capital assets, net of related debt	3,290,148	43,467	3,333,615
Restricted for:			
Management levy	130,161	-	130,161
Capital projects	672,592	-	672,592
Debt service	619,937	-	619,937
Unrestricted	(267,408)	160,657	(106,751)
Total net assets	4,445,430	204,124	4,649,554

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest			Business Type Activities		
Expenses	Charges for Service			Governmental Activities	Business Type Activities	Total
\$	\$	\$	\$	\$	\$	\$
6,845,420	279,529	1,322,618	(5,243,273)	-	-	(5,243,273)
435,746	-	-	(435,746)	-	-	(435,746)
574,654	-	-	(574,654)	-	-	(574,654)
992,143	-	-	(992,143)	-	-	(992,143)
996,419	-	21,041	(975,378)	-	-	(975,378)
469,573	446	-	(469,127)	-	-	(469,127)
3,468,535	446	21,041	(3,447,048)	-	-	(3,447,048)
363,084	-	16,182	(346,902)	-	-	(346,902)
328,155	-	27,588	(300,567)	-	-	(300,567)
397,607	-	397,607	-	-	-	-
439,049	-	-	(439,049)	-	-	(439,049)
1,527,895	-	441,377	(1,086,518)	-	-	(1,086,518)
11,841,850	279,975	1,785,036	(9,776,839)	-	-	(9,776,839)

Functions/Programs

Governmental activities:

Instruction:

Support services:

Student services
Instructional staff services
Administration services
Operation and maintenance
of plant services
Transportation services

Other expenditures:

Interest on long-term debt
Facilities acquisition
and construction
AEA flowthrough
Depreciation (unallocated)*

Total governmental activities

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business type activities:						
Non-instructional programs:						
Nutrition services	479,159	225,641	287,612	-	34,094	34,094
Total	12,321,009	505,616	2,072,648	(9,776,839)	34,094	(9,742,745)
General revenues:						
Property tax levied for:						
General purposes				3,275,980	-	3,275,980
Management fund				298,955	-	298,955
Capital outlay				267,856	-	267,856
Debt service				599,585	-	599,585
Income surtax				79,075	-	79,075
Local option sales tax				693,917	-	693,917
Unrestricted state grants				4,961,915	-	4,961,915
Unrestricted investment earnings				134,278	-	134,278
Other				66,770	-	66,770
Total general revenue				10,378,331	-	10,378,331
Change in net assets				601,492	34,094	635,586
Net assets beginning of year				3,843,938	170,030	4,013,968
Net assets end of year				4,445,430	204,124	4,649,554

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	176,413	611,373	501,570	204,874	1,494,230
ISCAP investments	3,188,467	-	-	-	3,188,467
Receivables:					
Property tax:					
Current year	48,098	8,564	-	8,232	64,894
Succeeding year	3,424,072	606,845	-	567,948	4,598,865
Income surtax	66,929	-	-	-	66,929
Due from other governments	215,899	-	186,202	-	402,101
Interfund receivable	-	-	27,049	-	27,049
ISCAP accrued interest	34,964	-	-	-	34,964
Other receivables	-	-	-	315	315
Total assets	<u>7,154,842</u>	<u>1,226,782</u>	<u>714,821</u>	<u>781,369</u>	<u>9,877,814</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	99,870	-	42,229	4,477	146,576
Accrued salary and benefits	657,927	-	-	-	657,927
Interfund payable	-	-	-	27,049	27,049
ISCAP warrants payable	3,195,000	-	-	-	3,195,000
ISCAP accrued interest payable	45,325	-	-	-	45,325
Deferred revenue:					
Succeeding year property tax	3,424,072	606,845	-	567,948	4,598,865
Income surtax	66,929	-	-	-	66,929
Total liabilities	<u>7,489,123</u>	<u>606,845</u>	<u>42,229</u>	<u>599,474</u>	<u>8,737,671</u>
Fund balances:					
Reserved for capital projects	-	-	672,592	-	672,592
Reserved for debt service	-	619,937	-	-	619,937
Unreserved fund balance	(334,281)	-	-	181,895	(152,386)
Total fund balances	<u>(334,281)</u>	<u>619,937</u>	<u>672,592</u>	<u>181,895</u>	<u>1,140,143</u>
Total liabilities and fund balances	<u>7,154,842</u>	<u>1,226,782</u>	<u>714,821</u>	<u>781,369</u>	<u>9,877,814</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 1,140,143
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	69,506
Internal Service fund assets that are to be included with governmental funds.	-
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,505,148
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,277)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(9,240,090)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 4,445,430</u></u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,352,478	599,585	693,917	566,811	5,212,791
Tuition	247,231	-	-	-	247,231
Other	249,232	16,182	27,588	486,210	779,212
State sources	5,892,259	-	-	-	5,892,259
Federal sources	309,272	-	-	-	309,272
Total revenues	<u>10,050,472</u>	<u>615,767</u>	<u>721,505</u>	<u>1,053,021</u>	<u>12,440,765</u>
Expenditures:					
Instruction:	<u>6,523,787</u>	<u>-</u>	<u>-</u>	<u>541,908</u>	<u>7,065,695</u>
Support services:					
Student services	435,746	-	-	-	435,746
Instructional staff services	574,654	-	-	-	574,654
Administration services	992,143	-	-	-	992,143
Operation and maintenance of plant services	863,918	-	-	132,501	996,419
Transportation services	<u>368,532</u>	<u>-</u>	<u>-</u>	<u>101,041</u>	<u>469,573</u>
	<u>3,234,993</u>	<u>-</u>	<u>-</u>	<u>233,542</u>	<u>3,468,535</u>
Other expenditures:					
Long-term debt:					
Principal	-	620,891	-	-	620,891
Interest and services	-	374,007	-	-	374,007
Facilities acquisition and construction	-	-	2,768,662	26,204	2,794,866
AEA flowthrough	<u>397,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,607</u>
	<u>397,607</u>	<u>994,898</u>	<u>2,768,662</u>	<u>26,204</u>	<u>4,187,371</u>
Total expenditures	<u>10,156,387</u>	<u>994,898</u>	<u>2,768,662</u>	<u>801,654</u>	<u>14,721,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,915)</u>	<u>(379,131)</u>	<u>(2,047,157)</u>	<u>251,367</u>	<u>(2,280,836)</u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	993,945	-	-	993,945
Operating transfers out	-	-	(857,770)	(136,175)	(993,945)
	-	993,945	(857,770)	(136,175)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(105,915)	614,814	(2,904,927)	115,192	(2,280,836)
Fund balances beginning of year	(228,366)	5,123	3,577,519	66,703	3,420,979
Fund balances end of year	(334,281)	619,937	672,592	181,895	1,140,143

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ (2,280,836)

**Amounts reported for governmental activities in the statement of
activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 2,577

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,496,427	
Depreciation expense	<u>(439,049)</u>	2,057,378

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 10,923

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year issues exceed repayments, as follows:

Issued	-	
Repaid	<u>620,891</u>	620,891

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 157,643

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement additions	-	
Early retirement payments	<u>32,916</u>	<u>32,916</u>

Change in net assets of governmental activities (Exhibit B) \$ 601,492

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2007

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	
Assets		
Cash and pooled investments	149,864	41,299
Inventories	10,793	-
Capital assets, net of accumulated depreciation	43,467	-
Total assets	<u>204,124</u>	<u>41,299</u>
Liabilities		
Accrued salary and benefits	-	41,299
Total liabilities	<u>-</u>	<u>41,299</u>
Net Assets		
Invested in capital assets, net of related debt	43,467	-
Unrestricted	160,657	-
Total net assets	<u>204,124</u>	<u>-</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	\$
Operating revenue:		
Local sources:		
Charges for services	<u>225,641</u>	<u>1,276,965</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	200,420	-
Services	11,016	
Supplies	261,663	-
Depreciation	<u>6,060</u>	<u>-</u>
	<u>479,159</u>	<u>-</u>
Internal service programs:		
Benefits	<u>-</u>	<u>1,119,322</u>
Total operating expenses	<u>479,159</u>	<u>1,119,322</u>
Operating profit (loss)	<u>(253,518)</u>	<u>157,643</u>
Non-operating revenues:		
Local sources	1,808	-
State sources	7,183	-
Federal sources	<u>278,621</u>	<u>-</u>
	<u>287,612</u>	<u>-</u>
Net change in assets	34,094	157,643
Net assets beginning of year	<u>170,030</u>	<u>(157,643)</u>
Net assets end of year	<u><u>204,124</u></u>	<u><u>-</u></u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	<u>Enterprise</u> School Nutrition \$	<u>Internal</u> Service Health Insurance \$
Cash flows from operating activities:		
Cash received from sale of services	225,641	1,276,965
Cash payments to employees for services	(200,420)	(1,248,289)
Cash payments to suppliers for goods or services	(243,597)	-
Net cash provided by (used in) operating activities	<u>(218,376)</u>	<u>28,676</u>
Cash flows from non-capital financing activities:		
State grants received	7,183	-
Federal grants received	246,278	-
Net cash provided by non-capital financing activities	<u>253,461</u>	<u>-</u>
Cash flows from capital financing activities		
Acquisition of capital assets	<u>(19,274)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,808</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	17,619	28,676
Cash and cash equivalents beginning of year	<u>132,245</u>	<u>12,623</u>
Cash and cash equivalents end of year	<u><u>149,864</u></u>	<u><u>41,299</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating profit (loss)	(253,518)	157,643
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,060	-
Commodities used	32,344	-
(Increase) in inventory	(3,262)	
(Decrease) in accounts payable	<u>-</u>	<u>(128,967)</u>
	<u>(218,376)</u>	<u>28,676</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash	<u><u>149,864</u></u>	<u><u>41,299</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$32,344.
See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trusts	Agency Funds
	\$	\$
Assets		
Cash and pooled investments	285,974	334
Liabilities		
Other payables	-	334
Net Assets		
Reserved for special purposes	285,974	-

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Contributions	500
Interest on investments	<u>11,217</u>
Total additions	<u>11,717</u>
Deductions:	
Instruction:	
Other	<u>5,963</u>
Total deductions	<u>5,963</u>
Change in net assets	5,754
Net assets beginning of year	<u>280,220</u>
Net assets end of year	<u><u>285,974</u></u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Hampton-Dumont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amounts budgeted in the instruction and support services functions.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$464,319</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>208,800</u>	<u>-</u>	<u>-</u>	<u>208,800</u>
Capital assets being depreciated:				
Buildings	6,087,213	8,325,677	-	14,412,890
Furniture and Equipment	1,225,631	29,716	1,664	1,253,683
Construction in progress	<u>5,858,966</u>	<u>-</u>	<u>5,858,966</u>	<u>-</u>
Total capital assets being depreciated	<u>13,171,810</u>	<u>8,355,393</u>	<u>5,860,630</u>	<u>15,666,573</u>
Less accumulated depreciation for:				
Buildings	2,144,799	273,124	-	2,417,923
Furniture and Equipment	<u>788,041</u>	<u>165,925</u>	<u>1,664</u>	<u>952,302</u>
Total accumulated depreciation	<u>2,932,840</u>	<u>439,049</u>	<u>1,664</u>	<u>3,370,225</u>
Total capital assets being depreciated, net	<u>10,238,970</u>	<u>7,916,344</u>	<u>5,858,966</u>	<u>12,296,348</u>
Governmental activities, capital assets, net	<u>10,447,770</u>	<u>7,916,344</u>	<u>5,858,966</u>	<u>12,505,148</u>
Business type activities:				
Furniture and equipment	59,732	19,274	4,003	75,003
Less accumulated depreciation	<u>29,479</u>	<u>6,060</u>	<u>4,003</u>	<u>31,536</u>
Business type activities capital assets, net	<u>30,253</u>	<u>13,214</u>	<u>-</u>	<u>43,467</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Support services:	
Unallocated	<u>439,049</u>
Business Type activities:	
Food service operations	<u>6,060</u>

(4) Contract Payable

During the fiscal year ended June 30, 1997, the District purchased a parcel of land, on a 7% contract. The last payment was made in the current fiscal year.

(5) Capital Loan Notes Payable

During the year ended June 30, 1998, the District issued \$1,075,000 of Capital Loan Notes. The final payment was made in the year ending June 30, 2007.

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>General Obligation Bond</u>	<u>Revenue Bonds</u>	<u>Contract Payable</u>	<u>Capital Loan Notes Payable</u>	<u>Early Retirement Payable</u>	<u>Total</u>
Balance beginning of year	\$7,785,000	1,920,000	891	130,000	58,006	9,893,897
Additions	-	-	-	-	-	-
Reductions	<u>295,000</u>	<u>195,000</u>	<u>891</u>	<u>130,000</u>	<u>32,916</u>	<u>653,807</u>
Balance end of year	<u>\$7,490,000</u>	<u>1,725,000</u>	<u>-</u>	<u>-</u>	<u>25,090</u>	<u>9,240,090</u>

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ending June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$361,848, \$342,102, and \$328,162 respectively, equal to the required contributions for each year.

(8) Risk Management

Hampton-Dumont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is currently only self-funding \$1,500 of each employee's deductible. The District previously self-insured its health care plan with coverage only for excess losses. All claims from that plan have been paid. The Self-Insurance Fund is funded by the General Fund to the extent of its possible liability. Any funds remaining are deemed to be liabilities to cover any claims the District may receive after the end of the fiscal year.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$397,607 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is based on a sliding percentage of per diem pay rate at time of retirement. Early retirement benefits paid during the year ended June 30, 2007, totaled \$32,916. A long-term liability has been recorded on the Balance Sheet (Exhibit A) representing the District's commitment to fund early retirement.

(11) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2006-07A	6/28/06	6/28/07	\$ -	-	-	-
2006-07B	1/26/07	1/25/08	1,527,096	34,466	1,531,000	32,569
2007-08A	6/27/07	6/27/08	1,661,371	498	1,664,000	12,756
Total			<u>\$3,188,467</u>	<u>34,964</u>	<u>3,195,000</u>	<u>45,325</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2006-07A	-	1,200,000	1,200,000	-
2006-07B	-	-	-	-
	<u>\$ -</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(12) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$857,770
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>136,175</u>
Total		<u>\$993,945</u>

(13) Financial Condition

The Physical Plant and Equipment Levy had a deficit fund balance of \$23,231 at June 30, 2007.

(14) General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of May 1, 2005</u>			
	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2008	3.125	296,545	310,000	606,545
2009	3.250	286,858	325,000	611,858
2010	3.375	276,295	335,000	611,295
2011	3.500	264,989	350,000	614,989
2012	3.625	252,739	365,000	617,739
2013-2017	3.750-4.000	1,042,138	2,075,000	3,117,138
2018-2022	4.000-4.300	589,807	2,550,000	3,139,807
2023-2024	4.400-4.500	<u>79,145</u>	<u>1,180,000</u>	<u>1,259,145</u>
Total		<u>3,088,516</u>	<u>7,490,000</u>	<u>10,578,516</u>

(15) Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and service tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of July 1, 2004</u>			
	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2008	2.40	54,775	200,000	254,775
2009	2.70	49,608	205,000	254,608
2010	3.00	43,690	210,000	253,690
2011	3.30	36,910	220,000	256,910
2012	3.50	29,342	225,000	254,342
2013	3.70	21,058	235,000	256,058
2014	3.80	12,055	245,000	257,055
2015	4.00	<u>3,700</u>	<u>185,000</u>	<u>188,700</u>
Total		<u>251,138</u>	<u>1,725,000</u>	<u>1,976,138</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(16) Contingencies

The District currently is involved in a civil suit regarding a school employee and student. Legal counsel has advised us that no probable outcome can be determined at this time, however, existing insurance coverage should be adequate to cover any liability on the part of the District. As no financial liability can be determined at the current time, no amounts have been included in the financial statements.

(17) Commitment

Since June 30, 2007, the District has entered into various contracts totaling over \$550,000. The largest is \$408,800 for the demolition of a portion of the old middle school building. The remainder is for purchases of various pieces of equipment.

Required Supplementary Information

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types		Proprietary Fund Type		Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	\$	Actual	\$	\$	Original	Final	\$
Revenues								
Local sources	6,239,234		227,449		6,466,683	6,077,741	6,077,741	388,942
State sources	5,892,259		7,183		5,899,442	5,830,736	5,830,736	68,706
Federal sources	309,272		278,621		587,893	558,000	558,000	29,893
Total revenues	<u>12,440,765</u>		<u>513,253</u>		<u>12,954,018</u>	<u>12,466,477</u>	<u>12,466,477</u>	<u>487,541</u>
Expenditures								
Instruction	7,065,695		-		7,065,695	6,889,848	6,889,848	(175,847)
Support services	3,468,535		-		3,468,535	3,000,414	3,000,414	(468,121)
Non-instructional programs	-		479,159		479,159	583,321	583,321	104,162
Other expenditures	4,187,371		-		4,187,371	6,676,667	6,676,667	2,489,296
Total expenditures	<u>14,721,601</u>		<u>479,159</u>		<u>15,200,760</u>	<u>17,150,250</u>	<u>17,150,250</u>	<u>1,949,490</u>
Excess (deficiency) of revenues over (under) expenditures	(2,280,836)		34,094		(2,246,742)	(4,683,773)	(4,683,773)	2,437,031
Other financing sources (uses)	-		-		-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,280,836)		34,094		(2,246,742)	(4,683,773)	(4,683,773)	2,437,031
Balance beginning of year	<u>3,420,979</u>		<u>170,030</u>		<u>3,591,009</u>	<u>5,760,947</u>	<u>5,760,947</u>	<u>(2,169,938)</u>
Balance end of year	<u>1,140,143</u>		<u>204,124</u>		<u>1,344,267</u>	<u>1,077,174</u>	<u>1,077,174</u>	<u>267,093</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures exceeded the amounts budgeted in the instruction and support services functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2007

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	150,837	54,037	-	204,874
Property tax receivable:				
Current year	4,414	-	3,818	8,232
Succeeding year	300,000	-	267,948	567,948
Other receivables	-	315	-	315
Total assets	<u>455,251</u>	<u>54,352</u>	<u>271,766</u>	<u>781,369</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	-	4,477	-	4,477
Interfund payable	-	-	27,049	27,049
Deferred revenue:				
Succeeding year property tax	300,000	-	267,948	567,948
Total liabilities	300,000	4,477	294,997	599,474
Fund balance:				
Unreserved fund balance	155,251	49,875	(23,231)	181,895
Total liabilities and fund balances	<u>455,251</u>	<u>54,352</u>	<u>271,766</u>	<u>781,369</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	298,955	-	267,856	566,811
Other	21,041	465,169	-	486,210
Total revenues	319,996	465,169	267,856	1,053,021
Expenditures:				
Instruction:	82,877	459,031		541,908
Support services:				
Plant operation and maintenance	132,501	-	-	132,501
Student transportation	-	-	101,041	101,041
Other expenditures:				
Facilities acquisition and construction	-	-	26,204	26,204
Total expenditures	215,378	459,031	127,245	801,654
Excess (deficiency) of revenues over (under) expenditures	104,618	6,138	140,611	251,367
Other financing (uses):				
Operating transfers (out)	-	-	(136,175)	(136,175)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	104,618	6,138	4,436	115,192
Fund balances beginning of year	50,633	43,737	(27,667)	66,703
Balance end of year	155,251	49,875	(23,231)	181,895

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Character Counts	-	3,695	3,624	71
Key Club	-	439	367	72
Art Club	3,551	835	-	4,386
Quiz Bowl	241	-	-	241
Video Productions	1,600	50	-	1,650
Cheerleading	779	7,187	6,291	1,675
DECA	1,745	2,954	4,672	27
Drama	3,488	541	34	3,995
FBL	350	1,001	998	353
FCA	696	120	75	741
FCCLA	435	1,389	239	1,585
FFA	7,239	83,260	80,715	9,784
French Club	4,394	-	-	4,394
Future Teachers	1,417	558	630	1,345
International Club	87	425	63	449
Mock Trial	(321)	493	(21)	193
Model UN	288	-	15	273
SADD	2,125	818	120	2,823
Student Council	864	2,430	1,937	1,357
Drill Team	131	200	92	239
JAG Club	(17)	32	-	15
Dramatics - Plays & Musicals	1,441	3,540	5,176	(195)
Music - Instrumental	(3,006)	5,989	5,032	(2,049)
Music - Vocal	(3,622)	736	(339)	(2,547)
Speech	(131)	428	277	20
Publications	(4,740)	13,337	10,473	(1,876)
Special Instrumental Fund	7,823	1,086	3,006	5,903
Special Vocal Fund	927	606	957	576
Special Instrumental - Uniforms	500	599	-	1,099
Special Vocal - Uniforms	350	-	2	348
Special Vocal - NY Trip	-	37,830	37,431	399
Class of 2009	3,966	-	-	3,966
Class of 2010	-	11,382	6,573	4,809
Class of 2006	1,971	-	1,971	-
Class of 2007	1,853	3,147	2,824	2,176
Class of 2008	2,985	2,431	2,661	2,755
Activity Fund Change	-	56,396	55,288	1,108
Cross Country	15	795	869	(59)
Basketball - Boys	1,716	20,901	23,243	(626)
Football	3,674	37,987	36,622	5,039
Baseball	(6,762)	5,952	4,029	(4,839)
Track - Boys	456	3,374	1,977	1,853
Golf - Boys	(859)	1,213	1,872	(1,518)
Wrestling	(8,699)	6,608	1,215	(3,306)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Basketball - Girls	2,201	19,148	20,947	402
Volleyball	(3,388)	13,165	9,667	110
Softball	(4,584)	1,066	681	(4,199)
Track - Girls	(88)	6,164	5,099	977
Golf - Girls	(316)	451	783	(648)
Activity Tickets	20,907	106,393	119,261	8,039
Student Pay Phone	(383)	396	355	(342)
Miscellaneous Activities	2,086	6,529	7,891	724
Jazz Band Club	270	-	-	270
June 30, 2007 Accruals	(1,918)	315	2,559	(4,162)
	43,737	474,391	468,253	49,875
Less interaccount transfers		(9,222)	(9,222)	
Total	<u>43,737</u>	<u>465,169</u>	<u>459,031</u>	<u>49,875</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2007

	Bess Robinson Scholarship	Hampton Quarterback Club	Varrelman Memorial Fund	Arndorfer Memorial	Barton Hoxie Robinson Scholarship	Robert Davies Scholarship	Dale Hayes Memorial Golf	Maribel Kratochvil Memorial	Ann J. Robinson Scholarship
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	-	-	-	-	-	-	-	-
Interest on investments	2,354	158	209	79	2,022	252	81	351	489
	<u>2,354</u>	<u>158</u>	<u>209</u>	<u>79</u>	<u>2,022</u>	<u>252</u>	<u>81</u>	<u>351</u>	<u>489</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	500	-	200	200	500	300	50	300	250
	<u>500</u>	<u>-</u>	<u>200</u>	<u>200</u>	<u>500</u>	<u>300</u>	<u>50</u>	<u>300</u>	<u>250</u>
Excess (deficiency) of revenues over (under) expenditures	1,854	158	9	(121)	1,522	(48)	31	51	239
Balance beginning of year	52,554	5,504	4,533	2,646	53,840	6,413	1,773	8,933	13,216
Balance end of year	<u>54,408</u>	<u>5,662</u>	<u>4,542</u>	<u>2,525</u>	<u>55,362</u>	<u>6,365</u>	<u>1,804</u>	<u>8,984</u>	<u>13,455</u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2007

	Lucretia V. Rowen Scholarship	Saylor Memorial Business	Dan Voy Memorial Scholarship	Peterson Trust	Captain Roy R. Marken Scholarship	Students in Need	Special Education Needs	Red Ribbon	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Contributions	-	-	-	-	-	500	-	-	500
Interest on investments	405	474	87	1,286	2,949	-	21	-	11,217
	<u>405</u>	<u>474</u>	<u>87</u>	<u>1,286</u>	<u>2,949</u>	<u>500</u>	<u>21</u>	<u>-</u>	<u>11,717</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	250	500	2,113	300	500	-	-	-	5,963
	<u>250</u>	<u>500</u>	<u>2,113</u>	<u>300</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,963</u>
Excess (deficiency) of revenues over (under) expenditures	155	(26)	(2,026)	986	2,449	500	21	-	5,754
Balance beginning of year	10,810	12,232	2,026	30,008	71,354	164	4,178	36	280,220
Balance end of year	<u>10,965</u>	<u>12,206</u>	<u>-</u>	<u>30,994</u>	<u>73,803</u>	<u>664</u>	<u>4,199</u>	<u>36</u>	<u>285,974</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,212,791	4,891,927	4,132,199	3,547,166
Tuition	247,231	280,604	249,601	289,616
Other	779,212	494,212	1,023,487	406,629
State sources	5,892,259	5,450,579	5,190,228	4,933,980
Federal sources	309,272	539,351	281,425	1,058,244
Total	<u>12,440,765</u>	<u>11,656,673</u>	<u>10,876,940</u>	<u>10,235,635</u>
Expenditures:				
Instruction	7,065,695	6,997,408	5,911,398	6,114,276
Support services:				
Student	435,746	276,580	231,504	247,540
Instructional staff	574,654	554,673	537,013	424,745
Administration	992,143	840,642	696,654	666,446
Operation and maintenance of plant	-	908,120	818,084	798,856
Transportation	996,419	472,622	425,901	374,308
Other expenditures:				
Facilities acquisition	2,794,866	5,774,418	1,840,267	2,174,885
Debt Service				
Principal	620,891	420,876	120,819	115,765
Interest and service charges	374,007	488,742	60,321	23,272
AEA flowthrough	397,607	366,219	350,987	355,601
Total	<u>14,252,028</u>	<u>17,100,300</u>	<u>10,992,948</u>	<u>11,295,694</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY07	<u>32,344</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	39,176
Special Milk Program	10.556	FY07	196
National School Lunch Program	10.555	FY07	<u>206,469</u>
			<u>245,841</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2781-G-07	170,267
Innovative Educational Program Strategies (Title V)	84.298	FY07	1,987
Improving Teacher Quality - Grants to States	84.348	FY07	49,329
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY07	13,130
Grants for Assessments and Related Activities	84.369	FY07	11,554
Area Education Agency 267:			
Special Education - Grants to States (IDEA Part B)	84.027	FY07	<u>63,006</u>
Total			<u><u>587,458</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hampton-Dumont Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Hampton-Dumont Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hampton-Dumont Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hampton-Dumont Community School District's financial statements that is more than inconsequential will not be prevented or detected by Hampton-Dumont Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Hampton-Dumont Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hampton-Dumont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 27, 2008

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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- Monthly/Quarterly Write-Up
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- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Hampton-Dumont Community School District:

Compliance

We have audited the compliance of Hampton-Dumont Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

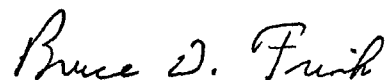
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Hampton-Dumont Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Hampton-Dumont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 27, 2008

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.550 - Food DistributionSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hampton-Dumont Community School District did not qualify as a low-risk auditee.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 10.550 Food Distribution
Federal Award Year: 2007
US Department of Agriculture
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
 10.555 National School Lunch Program
Federal Award Year: 2007
US Department of Agriculture
Passed through Iowa Department of Education

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings For Federal Awards:
(continued):

07-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-IV-B Certified Budget - Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the instruction and support services functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

07-IV-C Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

- 07-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 07-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-IV-I Certified Annual Report - The Certified Annual Report was filed late with the Department of Education, however, we noted no significant deficiencies in the amounts reported.
- Recommendation - We recommend that future reports be filed in a timely manner.
- Response - We will comply with this recommendation.
- Conclusion - Response accepted.
- 07-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 07-IV-K Financial Condition - The District's Physical Plant and Equipment Levy had a deficit balance of \$23,231 at June 30, 2007.
- Recommendation - We recommend that the District take steps to bring the fund to a positive fund balance.
- Response - We will comply with this recommendation.
- Conclusion - Response accepted.